



COMMONWEALTH of VIRGINIA
Department of Medical Assistance Services

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Dear Medicaid Coordinator:

In the August 10, 2007 letter to school superintendents, Dr. Cannaday and Mr. Finnerty informed school divisions that the Centers for Medicare and Medicaid Services (CMS), the federal Medicaid oversight agency, had approved two Medicaid State Plan Amendments. The approval included new covered services, changes in program requirements and a cost-based reimbursement methodology. The cost-based reimbursement methodology is effective July 1, 2006. This is one of two letters describing changes in the reimbursement methodology for medical services.

This letter describes changes being made to the quarterly time study and cost reporting submitted by school divisions for the 2007-2008 school year. The quarterly time study and cost reporting will be used for both the quarterly Medicaid administrative claim and the annual medical services cost report. The other letter describes the steps school divisions need to follow to complete the approved medical services cost report for the 2006-2007 school year. Please share this information with other staff responsible for administrative claiming and cost reports.

DMAS, DOE and the DMAS contractor, the University of Massachusetts Medical School (UMMS), have worked closely on these instructions. Presentations on these changes and further information will be discussed at the annual DOE conference in Charlottesville, VA on October 2-3, 2007.

Time Study (Effective October 1, 2007)

1. School divisions will continue to complete three time studies per year during the quarters 10/1/07-12/31/07, 1/1/08-3/31/08 and 4/1/08-6/30/08. An average of the results from these quarters will be used for the 7/1/08-9/30/08 quarter. For this school year, the average results will also be used for the quarter ending 9/30/07. As a result, UMMS will not complete administrative claims for this quarter until July 2008. If a school division certifies its costs, DMAS will make an interim payment for the quarter ending 9/30/07 equal to 75% of the administrative claim

for the quarter ending 9/30/06. You will receive additional instructions on this later.

2. All school divisions must complete the quarterly time study online using the web-based system made available by UMMS. This system provides an easy-to-use, web-based time study solution for school division providers to document the quarterly time study. This service is free to school division Medicaid providers. The majority of school divisions have already used this system to complete time studies in previous school years. UMMS will provide training to all new school division users.
3. All time studies must be completed within five school days of the last time study day.
4. UMMS has developed a series of online training modules specifically related to the Medicaid time study and accessing the online web-based system. These modules can be accessed directly from the time study page after logging in to the system at <https://www.chcf.net/chcfweb>. These easy to use trainings will be available 24-hours per day and will provide school divisions with an alternative to group trainings, when appropriate. UMMS will contact each school division time study coordinator to demonstrate the online training modules and develop a plan for using this tool in the 2009 school year.
5. Instead of four job categories for the time study, there will be three job categories. The three job categories will be based on participation in the admin claim only, the medical services claim only or both. Prior to the beginning of each quarter, UMMS will send a list (excel file) of all active time study participants to each school division. The school division must review the list; verify job category and add new participants or delete no longer active participants. The list should include everyone who furnishes either administrative or medical services. School divisions should return the file to UMMS at least 10 days prior to the start of the quarter. The completion of this task is important to ensure that all potential participants are identified and that costs are allocated correctly in the administrative claim and service rates.
6. Previously, each school division completed the quarterly time study resulting in division-specific time study percentages that were used to calculate the administrative claim. CMS now requires that time study results from all school divisions be combined into statewide percentages. The statewide percentages will be used in both the administrative claim and the annual medical services cost report.
7. Activity code F, Direct Medical Services will become two activity codes, F1, Direct Medical Services, IEP-Related and F2, Direct Medical Services-Non-IEP Related. Code F1 will be used when performing Medicaid covered medical services that are included in a student's IEP, and code F2 will be used when

performing medical services that are not in an IEP. Refer to the Time Study Manual for School-Based Services for additional details regarding Activity Codes F1 and F2. There will be additional communication regarding these new codes.

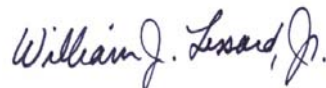
Cost Reporting (All changes effective July 1, 2007)

1. School divisions must report costs (salary, fringe benefits and non-personnel costs) to UMMS at the close of each quarter and these costs must now be reported on an accrual basis, not a cash basis. There will be no change to the annual determination of the capital percentage used in the administrative claim.
2. Salaries and fringe benefits for all staff or contractors who furnish administrative or medical services should be reported quarterly. Each school division used to have to have a minimum number of time study participants by category in order to include all personnel costs. Since time study percentages will be calculated statewide, school divisions will be able to include costs of all personnel who furnish Medicaid administrative or medical services, not just personnel who complete the time study. In addition to calculating the admin claim, UMMS will furnish school divisions with quarterly personnel cost reports at the end of the school year to be used in the medical services cost report.
3. Previously, fringe benefit costs could be submitted as either actual participant costs (in a lump sum) or as a fringe benefit percentage which was applied to each participant's salary. School divisions may no longer use an allocation percentage or submit costs in a lump sum. School divisions must submit itemized fringe benefit costs for each time study participant.

These changes will be incorporated into the medical services cost report instructions and the time study manual that will be available on the DOE web site at www.doe.virginia.gov/VDOE/Instruction/Sped/medicaidmain.html. DMAS, DOE and UMMS are committed to assisting school divisions in this transition. If you need assistance please feel free to contact

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Sincerely,



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